



REPORTS

New Report: Proposed Cuts To Medicare Advantage Put Seniors’ Coverage At Risk

by Oliver Wyman

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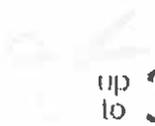
Introduction

Millions of seniors who depend on Medicare Advantage plans could face additional threats to their coverage and benefits if new payment changes recently proposed by CMS take effect next year, according to a new analysis by Oliver Wyman prepared for America's Health Insurance Plans (AHIP).

Last month, CMS released proposed changes to Medicare Advantage that will impact the 17 million seniors enrolled in the program. According to the report from Oliver Wyman, these changes, if finalized, would result in an estimated 0.5 to 3.9 percent cut on average to Medicare Advantage payments in 2017.

Cuts to the Medicare Advantage program include:

 **2.1%** **Risk Adjustment (2.1 percent cut):** The agency is proposing changes that create new risk adjustment models for dual eligible beneficiaries and individuals with disabilities. However, the report estimates these changes would reduce program funding by 2.1 percent. These changes fall particularly hard on plans’ efforts to improve beneficiaries’ health through early detection and prevention of chronic conditions and exacerbate the cuts CMS implemented last year that target health plans’ efforts to improve quality of care.

 up to **3%**



Encounter Data (up to 3 percent cut): CMS’ proposed changes would increase the percentage of risk score calculations based on encounter data, a model which currently has numerous unresolved operational and technical issues and fails to capture a reliable, comprehensive picture of beneficiaries’ diagnoses.



Employer Group Waiver Plans (EGWPs) (up to 0.86 percent program-wide; 2.5 percent – 4.5 percent cut for EGWPs): Employers, including state and local governments along with union sponsors, use

customized EGWP products to finance retiree coverage for almost 3.2 million beneficiaries, or more than 18 percent of all Medicare Advantage enrollees. CMS’ proposals to alter the payment and bidding model for EGWP plans would lead to significant uncertainty in the cost of providing coverage for enrollees and potential disruptions in their coverage and benefits.

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